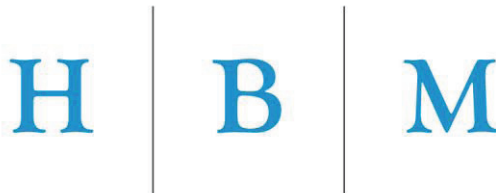


**TOWN OF ALTA
ALTA, UTAH**

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
WITH
REPORT ON STATE OF UTAH LEGAL
COMPLIANCE FOR LOCAL GOVERNMENTS
AND
GOVERNMENT AUDITING STANDARDS REPORT**

June 30, 2012



HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

TOWN OF ALTA
Alta, Utah

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor
and Town Council
Town of Alta
Alta, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Alta, Utah (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Alta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Alta, Utah as of June 30, 2012, and the respective changes in financial position and cash flows thereof, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2012, on our consideration of the Town of Alta's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison information on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Town of Alta taken as a whole. The Supplemental Schedule to Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedule listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hansen, Barnett & Maxwell, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
December 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Alta's
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2012**

As management of the Town of Alta, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

History and Background of Government

The Town of Alta was incorporated in August of 1970 as a political subdivision of the State of Utah. It is a small mountain community where summer and winter recreation offer alpine beauty and some of the best powder skiing in the United States. The Town operates under a Mayor/Council form of government. The Town's legislative body consists of the Mayor and four Council members holding staggered terms of four years each.

The Town of Alta operated during this fiscal year with a general fund budget of \$1,593,754. A majority of its operating revenue is generated from sales tax and property tax. Other types of revenue include Class C Road Funds; State Liquor Funds; State Grants; business, liquor, and animal licenses; and building permit fees, to name a few. The Town provides the following services within the community: administrative, planning and zoning, police services and fire protection under contract, recycling, parks and summer booth, building inspection, judicial court, Contract Post Office, library and community center, street improvements and community and economic development. The Town also operates fully approved sewer and culinary water systems.

Financial Highlights

During the course of the fiscal year ending June 30, 2012, the Town of Alta saw a slight decrease in its fund balance. The Town attributes a portion of the decrease to the sluggish economy and a low snow year which effected early and late season sales for all businesses in the Town. The Town continues to expend considerable amount of funds for one of its lawsuit but is able to offset much of the legal fees for this lawsuit with donations.

The Town had to use \$17,804 of its unreserved fund balance to balance its general fund budget this year. This amount would have been larger if not for the concerted effort by the entire Town staff to control the Town's operational costs. It should be noted that there were no cost of living increases for any of the Town full and part time employees.

There are two ongoing lawsuits that still have not been resolved, both of which continue to require Town staff time. In addition, the Town contracts for outside legal counsel to assist with matters related to planning and zoning, compliance with state land use regulations (LUDMA), review of records requests, and general counsel.

The Town made significant upgrades to its sewer and water infrastructures during the year. Funding for these improvements came out of the sewer and water enterprise funds which are funded by user fees.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements.

In addition to the Management's Discussion and Analysis, the report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances.

Government-wide financial statements These statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business reporting.

The *statement of net assets*, a component of the government-wide financial statements, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The Town's capital assets (buildings and other improvements, machinery and equipment, and automobiles) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the Town's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The *statement of activities* presents revenue and expense information showing how the Town's net assets changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, tax revenues are reported when the taxes are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until some time later.

The government-wide financial statements distinguish functions of the Town that are principally supported by intergovernmental revenues and taxes (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include the following: legislative, municipal building, economic development, judicial court, administration, non-departmental, planning and zoning, police department, post office, fire department, building inspection, streets, recycling, geographic information systems, parks, library and community center, and community development. Business-type activities include the water department and the sewer department.

The government-wide financial statements can be found on pages 14 and 15.

Fund financial statements A *fund* is a grouping of related accounts (revenues, expenses, assets and liabilities) that is used to control resources that have been segregated for specific activities. The Town of Alta, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, for accounting and reporting purposes, governmental fund numbers are determined with a different approach. At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such reconciliations are provided on pages 17 and 19 of this report.

The General Fund is the primary operating governmental fund of the Town. To demonstrate legal compliance, a statement comparing budgeted numbers to actual numbers for the General Fund is included with the financial statements.

Proprietary Funds The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the operation of the water and sewer operations.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 24 of this report.

Other information Supplemental information can be found starting on page 36 of this report.

Government-wide Financial Analysis

The tables provided hereafter show net assets, changes in net assets, and capital assets for the year ended June 30, 2012 (the 2012 fiscal year). Data for the year ended June 30, 2011 (the 2011 fiscal year) is also provided for comparative purposes. The Town's net assets, may serve over time, as a useful indicator of a local government's financial position. In the case of the Town, assets exceeded liabilities by \$3,024,219 at June 30, 2012. Assets exceeded liabilities by \$3,026,302 at June 30, 2011.

By far the largest portion of the Town's net assets (63% in the 2012 fiscal year and 55% in the 2011 fiscal year) reflects its investment in capital assets (e.g. buildings, machinery, equipment, and related improvements), less any related debt and accumulated depreciation. The Town uses these capital assets to house the operations of the Town such as administration, public safety, community center/library and culinary water system departments. Other assets include water and sewer transmission lines and vehicles necessary for the daily operation of various departments; consequently, these assets are not available for future spending.

The following table describes the Town's net assets as of June 30, 2012:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,430,287	\$ 209,699	\$ 1,639,986
Capital assets	<u>443,821</u>	<u>1,571,452</u>	<u>2,015,273</u>
Total assets	1,874,108	1,781,151	3,655,259
Long-term liabilities outstanding	45,152	47,000	92,152
Other liabilities	<u>512,641</u>	<u>26,247</u>	<u>538,888</u>
Total liabilities	557,793	73,247	631,040
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	397,087	1,509,452	1,906,539
Restricted for:			
Roads	6,378	-	6,378
Impact fees	7,259	-	7,259
Revenue bond payments	-	17,000	17,000
Unrestricted	<u>905,591</u>	<u>181,452</u>	<u>1,087,043</u>
Total net assets	<u>\$ 1,316,315</u>	<u>\$ 1,707,904</u>	<u>\$ 3,024,219</u>

The following table describes the Town's net assets as of June 30, 2011:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,441,309	\$ 427,139	\$ 1,868,448
Capital assets	<u>458,916</u>	<u>1,329,684</u>	<u>1,788,600</u>
Total assets	1,900,225	1,756,823	3,657,048
Long-term liabilities outstanding	48,503	62,000	110,503
Other liabilities	<u>488,386</u>	<u>31,857</u>	<u>520,243</u>
Total liabilities	536,889	93,857	630,746
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	425,277	1,252,684	1,677,961
Restricted for:			
Roads	19,580	-	19,580
Revenue bond payments	-	17,000	17,000
Unrestricted	<u>918,479</u>	<u>393,282</u>	<u>1,311,761</u>
Total net assets	<u>\$ 1,363,336</u>	<u>\$ 1,662,966</u>	<u>\$ 3,026,302</u>

At the end of the current year, the Town is able to report positive balances in all categories of net assets.

The Town's net assets decreased by \$2,083 during the 2012 fiscal year and decreased by \$97,750 in the 2011 fiscal year. There was a slight decrease in the total amount of sales tax collected in 2012 as well as a decrease in the amount of property taxes. Collection of building and plan check fees exceeded our projections as well as operating grants that assisted the Town in offsetting the decreases in its sales and property tax revenue.

Key elements of the decrease in net assets for the 2012 fiscal year are as follows:

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 84,594	\$ 240,311	\$ 324,905
Operating grants and contributions	224,904	-	224,904
General Revenues:			
Property Taxes	282,914	-	282,914
General sales and use tax	894,101	-	894,101
Energy sales and use tax	41,166	-	41,166
Telephone use tax	3,848	-	3,848
Gain on sale of assets	12,750	-	12,750
Investment earnings	2,173	4,340	6,513
Total revenues	1,546,450	244,651	1,791,101
Expenses:			
Legislative	\$ 19,357	-	\$ 19,357
Municipal building	20,844	-	20,844
Economic development	99,650	-	99,650
Judicial court	17,917	-	17,917
Administration	346,841	-	346,841
Non-departmental	34,059	-	34,059
Planning and zoning	202,815	-	202,815
Police department	619,837	-	619,837
Post Office	25,431	-	25,431
Fire department	98,088	-	98,088
Building inspection	20,958	-	20,958
Streets	26,646	-	26,646
Recycling	12,095	-	12,095
Geographic information systems	4,008	-	4,008
Parks	15,872	-	15,872
Library and community center	6,299	-	6,299
Community development	17,279	-	17,279
Homeland security	5,475	-	5,475
Water	-	130,329	130,329
Sewer	-	69,384	69,384
Total expenses	1,593,471	199,713	1,793,184
Change in net assets	(47,021)	44,938	(2,083)
Net assets - beginning	1,363,336	1,662,966	3,026,302
Fund equity - ending	\$ 1,316,315	\$1,707,904	\$3,024,219

Key elements of the decrease in net assets for the 2011 fiscal year are as follows:

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 64,844	\$ 202,315	\$ 267,159
Operating grants and contributions	180,408	-	180,408
General Revenues:			
Property Taxes	301,103	-	301,103
General sales and use tax	906,337	-	906,337
Energy sales and use tax	45,140	-	45,140
Telephone use tax	2,501	-	2,501
Gain on sale of assets	23,700	-	23,700
Investment earnings	2,115	3,986	6,101
Total revenues	1,526,148	206,301	1,732,449
Expenses:			
Legislative	\$ 20,455	-	20,455
Municipal building	24,936	-	24,936
Economic development	76,974	-	76,974
Judicial court	17,940	-	17,940
Administration	357,943	-	357,943
Non-departmental	65,808	-	65,808
Planning and zoning	199,957	-	199,957
Police department	633,145	-	633,145
Post Office	28,009	-	28,009
Fire department	101,071	-	101,071
Building inspection	24,234	-	24,234
Streets	25,638	-	25,638
Recycling	9,798	-	9,798
Geographic information systems	4,000	-	4,000
Parks	14,853	-	14,853
Library and community center	11,458	-	11,458
Community development	8,512	-	8,512
Homeland security	12,530	-	12,530
Water	-	117,493	117,493
Sewer	-	75,445	75,445
Total expenses	1,637,261	192,938	1,830,199
Change in net assets	(111,113)	13,363	(97,750)
Net assets - beginning	1,474,449	1,649,603	3,124,052
Fund equity - ending	\$ 1,363,336	\$1,662,966	\$3,026,302

Budgetary Highlights

In June of 2012, as part of its regular budgetary hearing, the Town Council amended the revenue and expenditure side of the budget. The following departments were amended: administration, planning and zoning, ARA, streets, recycling, GIS and community development. The majority of the increased expenditures were due to legal fees associated with a lawsuit but there were also increases in the fees paid to the vendor to pick up the Town recycling, increases in costs associated with the operation of the summer program and the expenditure of CDBG Grant funds for past years' projects.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, amounted to \$2,015,273 as of June 30, 2012 and \$1,788,600 as of June 30, 2011. This investment includes buildings and related improvements, machinery and equipment, autos and trucks, and municipal utility distribution systems. The major property and equipment events in 2012 in the general fund were the purchase of another police vehicle and 11 new Motorola handheld radios. Major events in the enterprise funds included additions and improvements to both the sewer and water distributions systems. The major property and equipment events during 2011 were the purchase of a police vehicle, the purchase and installation of three new furnaces for municipal buildings and minor improvements to the sewer outfall line.

Town's Capital Assets (net of depreciation)

For the 2012 fiscal year:

	Balance June 30, 2011	Additions	Transfers or Deletions	Balance June 30, 2012
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 910,383	\$ -	\$ -	\$ 910,383
Machinery and equipment	323,598	9,535	-	333,133
Autos and trucks	125,775	32,445	(15,406)	142,814
Total capital assets being depreciated	<u>1,359,756</u>	<u>41,980</u>	<u>(15,406)</u>	<u>1,386,330</u>
Less accumulated depreciation for:				
Buildings and other improvements	(540,896)	(19,223)	-	(560,119)
Machinery and equipment	(281,245)	(10,994)	-	(292,239)
Autos and trucks	(78,699)	(26,858)	15,406	(90,151)
Total accumulated depreciation	<u>(900,840)</u>	<u>(57,075)</u>	<u>15,406</u>	<u>(942,509)</u>
Governmental activities capital assets, net	<u>\$ 458,916</u>	<u>\$ (15,095)</u>	<u>\$ -</u>	<u>\$ 443,821</u>

	Balance June 30, 2011	Additions	Transfers or Deletions	Balance June 30, 2012
Business-type activities				
Capital assets being depreciated				
Sewer system	\$ 717,050	\$ 124,498	\$ -	\$ 841,548
Water system	1,638,735	183,868	-	1,822,603
Other machinery and equipment	31,617	-	-	31,617
Autos and trucks	23,010	-	-	23,010
Total capital assets being depreciated	2,410,412	308,366	-	2,718,778
Less accumulated depreciation for:				
Sewer system	(455,347)	(18,380)	-	(473,727)
Water system	(597,853)	(44,273)	-	(642,126)
Other machinery and equipment	(15,633)	(1,069)	-	(16,702)
Autos and trucks	(11,895)	(2,876)	-	(14,771)
Total accumulated depreciation	(1,080,728)	(66,598)	-	(1,147,326)
Total capital assets being depreciated, net	1,329,684	241,768	-	1,571,452
Business-type activity capital assets, net	<u>\$ 1,329,684</u>	<u>\$ 241,768</u>	<u>\$ -</u>	<u>\$ 1,571,452</u>

For the 2011 fiscal year:

	Balance June 30, 2010	Additions	Transfers or Deletions	Balance June 30, 2011
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 910,383	\$ -	\$ -	\$ 910,383
Machinery and equipment	316,062	7,536	-	323,598
Autos and trucks	147,087	26,882	(48,194)	125,775
Total capital assets being depreciated	1,373,532	34,418	(48,194)	1,359,756
Less accumulated depreciation for:				
Buildings and other improvements	(518,423)	(22,473)	-	(540,896)
Machinery and equipment	(263,035)	(18,210)	-	(281,245)
Autos and trucks	(103,651)	(23,242)	48,194	(78,699)
Total accumulated depreciation	(885,109)	(63,925)	48,194	(900,840)
Governmental activities capital assets, net	<u>\$ 488,423</u>	<u>\$ (29,507)</u>	<u>\$ -</u>	<u>\$ 458,916</u>
Business-type activities				
Capital assets being depreciated				
Sewer system	708,560	8,490	-	717,050
Water system	1,638,735	-	-	1,638,735
Other machinery and equipment	31,617	-	-	31,617
Autos and trucks	23,010	-	-	23,010
Total capital assets being depreciated	2,401,922	8,490	-	2,410,412
Less accumulated depreciation for:				
Sewer system	(438,814)	(16,533)	-	(455,347)
Water system	(557,472)	(40,381)	-	(597,853)
Other machinery and equipment	(14,664)	(969)	-	(15,633)
Autos and trucks	(9,108)	(2,787)	-	(11,895)
Total accumulated depreciation	(1,020,058)	(60,670)	-	(1,080,728)
Total capital assets being depreciated, net	1,381,864	(52,180)	-	1,329,684
Business-type activity capital assets, net	<u>\$ 1,381,864</u>	<u>\$ (52,180)</u>	<u>\$ -</u>	<u>\$ 1,329,684</u>

Long-term debt

At June 20, 2012, the Town had \$73,771 in long term debt for governmental activities and \$62,000 for business-type activities. At June 30, 2011, the Town had \$59,649 in long-term debt for governmental activities and \$77,000 for business-type activities. Debt consists of post employment benefits, vehicle leases, an equipment lease, and water revenue bonds. The following tables illustrate debt activity over the past two years.

	Balance June 30, 2011	New Debt	Retirements	Balance June 30, 2012	Due Within One Year
Governmental activities					
Post employment benefits	\$ 26,010	\$ 1,027	\$ -	\$ 27,037	\$ -
Vehicle leases	26,882	29,500	(14,116)	42,266	26,044
Equipment lease	6,757	-	(2,289)	4,468	2,575
Total governmental activities	59,649	30,527	(16,405)	73,771	28,619
Business-type activities					
Water Revenue Bonds, Series 1995	77,000	-	(15,000)	62,000	15,000
Total obligations	\$ 136,649	\$ 30,527	\$ (31,405)	\$ 135,771	\$ 43,619
	Balance June 30, 2010	New Debt	Retirements	Balance June 30, 2011	Due Within One Year
Governmental activities					
Post employment benefits	\$ 24,541	\$ 1,469	\$ -	\$ 26,010	\$ -
Vehicle lease	9,390	26,882	(9,390)	26,882	8,858
Equipment lease	-	7,536	(779)	6,757	2,288
Total governmental activities	33,931	35,887	(10,169)	59,649	11,146
Business-type activities					
Water Revenue Bonds, Series 1995	91,000	-	(14,000)	77,000	15,000
Total obligations	\$ 124,931	\$ 35,887	\$ (24,169)	\$ 136,649	\$ 26,146

Requests for Information

This financial report is designed to provide a general overview of the Town of Alta's finances for all those with an interest. Questions regarding any of the information provided in this report or requests for additional information should be addressed to Kate Black, Town Clerk, P.O. Box 8016, Alta, Utah 84092-8016.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ALTA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current Assets			
Cash and investments (cash equivalents)	\$ 948,862	\$ 307,905	\$ 1,256,767
Accounts receivable			
Service fees	-	50,802	50,802
Property tax	292,872	-	292,872
Other	10,446	-	10,446
Prepaid expenses	12,099	-	12,099
Internal balances	166,008	(166,008)	-
Total Current Assets	<u>1,430,287</u>	<u>192,699</u>	<u>1,622,986</u>
Long-Term Assets			
Cash and cash equivalents restricted			
for revenue bond payments	-	17,000	17,000
Capital assets, net of accumulated depreciation	443,821	1,571,452	2,015,273
Total Long-Term Assets	<u>443,821</u>	<u>1,588,452</u>	<u>2,032,273</u>
Total Assets	<u>1,874,108</u>	<u>1,781,151</u>	<u>3,655,259</u>
LIABILITIES			
Current Liabilities			
Accounts payable	91,661	11,247	102,908
Wages and payroll taxes payable	19,406	-	19,406
Deposits	12,500	-	12,500
Deferred revenue - property tax	292,872	-	292,872
Capital leases, current portion	28,619	-	28,619
Compensated absences	67,583	-	67,583
Revenue bonds, current portion	-	15,000	15,000
Total Current Liabilities	<u>512,641</u>	<u>26,247</u>	<u>538,888</u>
Long-Term Liabilities			
Post employment benefits	27,037	-	27,037
Capital leases, net of current portion	18,115	-	18,115
Revenue bonds, net of current portion	-	47,000	47,000
Total Long-Term Liabilities	<u>45,152</u>	<u>47,000</u>	<u>92,152</u>
Total Liabilities	<u>557,793</u>	<u>73,247</u>	<u>631,040</u>
NET ASSETS			
Invested in capital assets, net of related debt	397,087	1,509,452	1,906,539
Restricted for:			
Roads	6,378	-	6,378
Impact fees	7,259	-	7,259
Revenue bond payments	-	17,000	17,000
Unrestricted	905,591	181,452	1,087,043
Total Net Assets	<u>\$ 1,316,315</u>	<u>\$ 1,707,904</u>	<u>\$ 3,024,219</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
Legislative	\$ 19,357	\$ -	\$ -	\$ -	\$ (19,357)	\$ -
Municipal building	20,844	-	-	-	(20,844)	-
Economic development	99,650	-	17,782	-	(81,868)	-
Judicial court	17,917	12,155	-	-	(5,762)	-
Administration	346,841	10,276	-	-	(336,565)	-
Non-departmental	34,059	7,259	-	-	(26,800)	-
Planning and zoning	202,815	3,785	82,751	-	(116,279)	-
Police department	619,837	17,136	44,537	-	(558,164)	-
Post Office	25,431	-	14,000	-	(11,431)	-
Fire department	98,088	-	-	-	(98,088)	-
Building inspection	20,958	32,333	-	-	11,375	-
Streets	26,646	-	13,444	-	(13,202)	-
Recycling	12,095	-	-	-	(12,095)	-
Geographic information systems	4,008	-	4,000	-	(8)	-
Parks	15,872	-	17,205	-	1,333	-
Community development	17,279	-	31,185	-	13,906	-
Library and community center	6,299	1,650	-	-	(4,649)	-
Homeland security	5,475	-	-	-	(5,475)	-
Total governmental activities	1,593,471	84,594	224,904	-	(1,283,973)	-
Business-type activities:						
Water	130,329	158,193	-	-	-	27,864
Sewer	69,384	82,118	-	-	-	12,734
Total business-type activities	199,713	240,311	-	-	-	40,598
Total primary government	\$ 1,793,184	\$ 324,905	\$ 224,904	\$ -	(1,283,973)	(1,243,375)
General revenues:						
Property taxes					282,914	-
General sales and use tax					894,101	-
Energy sales and use					41,166	-
Telephone use tax					3,848	-
Gain on sale of assets					12,750	-
Interest earnings					2,173	4,340
Total general revenues					1,236,952	4,340
Change in net assets					(47,021)	44,938
Net assets - beginning					1,363,336	1,662,966
Net assets - ending					\$ 1,316,315	\$ 1,707,904

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**TOWN OF ALTA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2012**

	General Fund
ASSETS	
Cash and investments (cash equivalents)	\$ 948,862
Accounts receivable	
Accounts receivable - property tax	292,872
Account receivable - other	10,446
Prepaid expenses	12,099
Due from other funds	166,008
	<hr/>
Total Assets	\$ 1,430,287
	<hr/>
LIABILITIES	
Accounts payable	\$ 91,661
Wages and payroll taxes payable	19,406
Deposits	12,500
Deferred revenue - property tax	292,872
Compensated absences	67,583
	<hr/>
Total Liabilities	484,022
	<hr/>
FUND BALANCES	
Restricted for C-roads	6,378
Restricted for impact fees	7,259
Committed to post-employment benefits	30,000
Assigned to balance the new year's budget	34,268
Unassigned	868,360
	<hr/>
Total Fund Balances	946,265
	<hr/>
Total Liabilities and Fund Balances	\$ 1,430,287
	<hr/>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Total Fund Balances - Governmental Fund	\$ 946,265
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund.	443,821
Long-term liabilities, including notes payable and capital leases are not payable in the current period and therefore, are not reported in the governmental fund.	(73,771)
Total Net Assets - Governmental Activities	<u>\$ 1,316,315</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund
Revenues	
Taxes	\$ 1,222,029
Licenses and permits	42,875
Intergovernmental	120,948
Charges for services	21,647
Fines and forfeitures	12,155
Miscellaneous	114,046
Total Revenues	<u>1,533,700</u>
Expenditures	
Legislative	19,357
Municipal building	7,376
Economic development	99,619
Judicial court	17,917
Administration	346,294
Non-departmental	33,599
Planning and zoning	202,815
Police department	642,383
Post office	24,111
Fire department	97,553
Building inspection	20,958
Streets	26,646
Recycling	12,095
Geographic information systems	4,008
Parks	15,872
Community development	17,279
Library and community center	5,872
Total Expenditures	<u>1,593,754</u>
Expenditures Over Revenues	<u>(60,054)</u>
Other Financing Sources	
Proceeds from vehicle loan	29,500
Proceeds from sale of capital assets	12,750
Net Other Financing Sources	<u>42,250</u>
Net Change in Fund Balance	(17,804)
Fund Balance - Beginning of Year	<u>964,069</u>
Fund Balance - End of Year	<u><u>\$ 946,265</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF ALTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Governmental Fund	\$ (17,804)
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital purchases during the current period.	(15,095)
The long-term portion of the liability for capital leases and post-employment benefits is not recorded at the fund level but is reported in the statement of net assets. This is the amount by which the new debt for the period exceeded current period debt payments, which are shown as an expense in the statement of activities.	(14,122)
Change in Net Assets of Governmental Activities	<u><u>\$ (47,021)</u></u>

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF ALTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Sewer Enterprise Fund	Water Enterprise Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 248,044	\$ 59,861	\$ 307,905
Accounts receivable	19,801	31,001	50,802
Total Current Assets	267,845	90,862	358,707
Long-term Assets			
Cash and cash equivalents restricted for revenue bond payments	-	17,000	17,000
Capital assets			
Sewer system	841,548	-	841,548
Water system	-	1,822,603	1,822,603
Other machinery and equipment	-	31,617	31,617
Automobiles and trucks	11,505	11,505	23,010
Accumulated depreciation	(481,067)	(666,259)	(1,147,326)
Net Capital Assets	371,986	1,199,466	1,571,452
Total Long-Term Assets	371,986	1,216,466	1,588,452
Total Assets	639,831	1,307,328	1,947,159
LIABILITIES			
Current Liabilities			
Accounts payable	7,488	3,759	11,247
Due to other funds	11,069	154,939	166,008
Current portion of revenue bonds payable	-	15,000	15,000
Total Current Liabilities	18,557	173,698	192,255
Long-Term Liabilities			
Revenue bonds-net of current portion	-	47,000	47,000
Total Liabilities	18,557	220,698	239,255
NET ASSETS			
Restricted for revenue bond payments	-	17,000	17,000
Invested in capital assets - net of related debt	371,986	1,137,466	1,509,452
Unrestricted (deficit)	249,288	(67,836)	181,452
Total Net Assets	\$ 621,274	\$ 1,086,630	\$ 1,707,904

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Operating Revenues			
Service fees	\$ 82,118	\$ 158,193	\$ 240,311
Operating Expenses			
Sewage disposal	36,849	-	36,849
Water costs	-	4,076	4,076
Depreciation	19,809	46,789	66,598
Personnel services	-	8,002	8,002
Materials, supplies and services	12,726	69,152	81,878
Total Operating Expenses	69,384	128,019	197,403
Operating Income	12,734	30,174	42,908
Non-Operating Revenue (Expense)			
Interest revenue	2,422	1,918	4,340
Interest expense	-	(2,310)	(2,310)
Net Non-Operating Revenue (Expense)	2,422	(392)	2,030
Change in Net Assets	15,156	29,782	44,938
Total Net Assets - Beginning of Year	606,118	1,056,848	1,662,966
Total Net Assets - End of Year	\$ 621,274	\$ 1,086,630	\$ 1,707,904

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 81,372	\$ 155,853	\$ 237,225
Payments to suppliers	(55,957)	(72,456)	(128,413)
Payments to employees	-	(8,002)	(8,002)
	<u>25,415</u>	<u>75,395</u>	<u>100,810</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(124,498)	(183,868)	(308,366)
Principal paid on revenue bond maturities	-	(15,000)	(15,000)
Interest paid	-	(2,310)	(2,310)
	<u>(124,498)</u>	<u>(201,178)</u>	<u>(325,676)</u>
Cash Flow From Investing Activities			
Interest on investments	<u>2,422</u>	<u>1,918</u>	<u>4,340</u>
Net Change in Cash	(96,661)	(123,865)	(220,526)
Cash and Cash Equivalents at Beginning of Year	<u>344,705</u>	<u>200,726</u>	<u>545,431</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 248,044</u></u>	<u><u>\$ 76,861</u></u>	<u><u>\$ 324,905</u></u>
Reconciliation of Cash and Cash Equivalents at End of Year to Statement of Net Assets			
Cash and cash equivalents (unrestricted)	\$ 248,044	\$ 59,861	\$ 307,905
Cash and cash equivalents restricted for revenue bond payments (long-term)	-	17,000	17,000
Cash and Cash Equivalents at End of Year	<u><u>\$ 248,044</u></u>	<u><u>\$ 76,861</u></u>	<u><u>\$ 324,905</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Sewer Enterprise Fund	Water Enterprise Fund	Total
Reconciliation of Operating Income to Net			
Cash from Operating Activities:			
Operating income	\$ 12,734	\$ 30,174	\$ 42,908
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	19,809	46,789	66,598
Change in assets and liabilities:			
Service fees receivable	(746)	(2,340)	(3,086)
Accounts payable	(6,382)	772	(5,610)
Net cash from operating activities	<u><u>\$ 25,415</u></u>	<u><u>\$ 75,395</u></u>	<u><u>\$ 100,810</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ALTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE I—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alta, Utah (the “Town”) was incorporated in August 1970 under the provisions of the State of Utah. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, water, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board’s (GASB) Statement No. 14 which include the following:

- the organization is legally separate (can sue or be sued in its own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization’s board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency on the Town by the organization

Based on these criteria, there are no entities that are considered to be component units of the Town that should be included in these financial statements.

B. Financial Statement Presentation

Basis of Presentation

Government-wide Financial Statements

The government-wide statements, i.e. the statement of net assets and the statement of activities, report information on all of the activities of the Town. The Town does not have any fiduciary activities. Generally, the effect of the interfund activity has been eliminated from these statements. Interfund receivables and payables have been eliminated from the government-wide statement of net assets except for those amounts due between governmental and business-type activities. Such amounts are reported at the net amount as “internal balances” and offset each other to result in a zero balance in the total column. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The government-wide statement of net assets presents information on all of the Town’s assets and liabilities, and the difference between the two is reported as net assets. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that can be clearly identifiable with a specific function or segment. Program revenues

include: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Indirect costs in the governmental activities that are not associated directly with a function or program in the Town are included in the general governmental activities in the entity-wide statements.

Fund Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. A fund is considered major if it is the primary operating (general) fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the Town's General, Water, and Sewer funds are major funds. The Town has no non-major funds.

The Town's financial operations are accounted for in the following funds:

Governmental Fund Types

General Fund – The general fund is the primary fund of the Town. This fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Proprietary Fund Types

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town's enterprise funds consist of the Water and Sewer Funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to the types of assets that appear on the statement of net assets and changes to those assets that appear on the statement of activities. The current financial resources measurement focus reports

only current assets and current liabilities on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in these assets. The economic resources measurement focus shows total assets and liabilities on the statement of net assets and changes in net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and the fund financial statements for proprietary and fiduciary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund's normal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

These funds account for Town activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position (Economic resources measurement focus). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails. The funds included in this category are Enterprise Funds.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expenses/expenditures reported on the fund financial statements and government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements (see pages 17 and 19).

E. Cash and Investments

The Town investments in the State Treasurer's Investment Pool (an external investment pool) are valued at fair value (based on the corresponding liability to pool participants). See Note 2 for further discussion regarding the Town's policies regarding cash deposits and investments.

F. Fund Balances - General Fund

General fund balances are reported in the following categories: nonspendable, restricted, committed, assigned, or unassigned. As of June 30, 2012, the Town does not have any nonspendable fund balances. Restricted fund balances include amounts that can only be spent for specific purposes as stipulated by law or by awarding agencies. Committed fund balances include amounts that can be used only for specific purposes as determined by a Town Council resolution or by Town ordinance. Unexpended committed fund balances may only be rescinded from the committed balance via a Town Council resolution. Assigned fund balances are those that are intended to be used for a specific purpose but to not meet the criteria to be classified as restricted or committed. To meet the criteria to be assigned, the use of a balance would need to be authorized by the Town Council. Unassigned fund balance is the residual classification for the Town's general fund and includes all spendable amounts not contained in the other classifications.

When an expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned fund balances are available, it is the policy of the Town to first spend restricted fund balance, followed by committed, assigned and unassigned fund balances, respectively.

G. Property Taxes - Revenue

Property taxes are collected by the Salt Lake County (the "County") treasurer and remitted to the Town shortly after collection. The County is required to levy the proposed tax by June 15. The County treasurer mails the property tax notice at least 10 days before August 1, and the taxes are due by November 30. If after five years (May of the fifth year) delinquent taxes have not been paid, the County advertises and sells the property at a tax sale.

H. Sales and Related Taxes - Revenue

Sales and related taxes constitute the majority of revenues received by the Town. In turn, sales and related taxes generated by the local businesses are dependent on the winter snow levels.

I. Interfund Receivables and Payable

Interfund receivables and payables represent transactions incurred within the fund for other funds. These transactions are in the form of receipts of revenue, payments of expenses, and operating transfers to and from other funds. These accounts are expected to be eliminated in the normal course of operations. As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

J. Budgetary Basis

Budgets are prepared by the Town on the modified accrual basis of accounting, the same basis which is used for financial reporting. The budget presented was first adopted by the Town in June 2009. The Council held a public meeting to officially amend the budget on June 21, 2012. Appropriations may not legally be made in excess of budgeted amounts by department.

K. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured against these occurrences through commercial insurance. The Town pays an annual premium for its insurance coverage which is accounted for in the General Fund.

L. Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60: *Accounting and Financial Reporting for Service Concession Arrangements*. This statement clarifies reporting issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement stipulates the criteria under which an entity would recognize an asset or liability for its SCAs and how revenue would be recognized. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this statement generally are required to be applied retroactively for all periods presented. The Town is currently evaluating what effect, if any, this statement will have on the Town’s financial statements.

In November 2010, the GASB issued Statement No. 61: *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This statement also clarifies the reporting of equity interests in legally separate organizations. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012. The Town is currently evaluating what effect, if any, this statement will have on the Town’s financial statements.

In June 2011, the GASB issued Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires that deferred outflows of resources and deferred inflows of resources be reported distinctly from assets and liabilities in the statement of net position. In addition, this statement stipulates that the residual of assets plus deferred outflows less liabilities and deferred inflows shall be termed *net position*, rather than *net assets*. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The Town is currently evaluating what effect, if any, this new guidance will have on the Town’s financial statements. This new guidance may modify the presentation and captions used in the Town’s statement of net assets (net position) in future periods.

In March 2012, the GASB issued Statement No. 65: *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This guidance also clarifies accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The Town is currently evaluating what effect, if any, this new guidance will have on the Town’s financial statements.

In June 2012, the GASB issued Statement No. 68: *Accounting and Financial Reporting: an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. The Town is currently evaluating what effect, if any, this new guidance will have on the Town's financial statements.

NOTE 2—CASH DEPOSITS AND INVESTMENTS

Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less. Cash, depending on source of receipts, is pooled, except when legal requirement dictate the use of separate accounts.

Cash Deposits – At year end, the carrying amount of the Town's book cash balance was \$171,199 and the bank balance was \$188,594. The book balance as of June 30, 2012, did not exceed the federal depository insurance limit. No deposits are collateralized.

Deposit Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits.

Investments – The Town's deposits and investment policy follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Chapter 7) in handling its depository and temporary investing transactions. This law requires the depositing of Town funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,
3. Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors if the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporations, or Student Loan Marketing Association.

7. Shares or certificates in any open-end management investment company registered with the Securities and Exchange under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

A State Money Management Council was created under the State Money Management Act consisting of five individuals appointed by the Governor and qualified by training and experience in the fields of investing and finance. In performing its functions and responsibilities, the council provides a measure of depository protection. The council issues a list of qualified depositories to public treasurer's quarterly, and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the council. State law and council rules govern the finance reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The Town has invested the majority of its temporarily idle funds (totaling \$1,102,568 as of June 30, 2012) with the Utah Public Treasurer's Investment Fund (PTIF). The Utah State Treasurer's Office operates the PTIF which is invested in accordance with the State Money Management Act. The State Money Management Council provides regulatory oversight for the PTIF. The PTIF has not been rated.

The investments with the State bore interest at 0.8% at June 30, 2012. The carrying amount is materially equal to fair value. All securities comprising the PTIF comply with strict investment criteria required by the Utah Money Management Act. All practices of the PTIF are under the monthly scrutiny of the Utah Money Management Act. The Utah State Auditor audits the PTIF each year. The degree of risk of the fund depends upon the underlying portfolio. Parties interested in learning what specific investments comprise the State Treasurer's Fund may contact the Utah State Treasurer's Office.

Investment Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Summary – The above described cash deposits and investments are summarized and presented in the financial statements at fair value in accordance with the following analysis:

Cash and Cash Equivalents	
Cash	\$ 171,199
Utah Public Treasurer's Investment Fund	1,102,568
Total (fair value)	\$ 1,273,767

NOTE 3—RESTRICTED CASH AND CASH EQUIVALENTS

At June 30, 2012, \$17,000 in cash and cash equivalents was restricted by the water revenue bond provisions to be used for the final payment on the bond scheduled for March 1, 2016.

NOTE 4—CAPITAL ASSETS

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, capital assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g. roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method based on useful lives as follows:

<u>Item</u>	<u>Years</u>
Building and other improvements	7 – 30 years
Machinery and equipment	5 – 25 years
Autos and trucks	5 – 15 years
Sewer system	10 – 50 years
Water system	10 – 50 years

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Transfers or Deletions	Balance June 30, 2012
Governmental activities				
Capital assets being depreciated				
Buildings and other improvements	\$ 910,383	\$ -	\$ -	\$ 910,383
Machinery and equipment	323,598	9,535	-	333,133
Autos and trucks	125,775	32,445	(15,406)	142,814
Total capital assets being depreciated	1,359,756	41,980	(15,406)	1,386,330
Less accumulated depreciation for:				
Buildings and other improvements	(540,896)	(19,223)	-	(560,119)
Machinery and equipment	(281,245)	(10,994)	-	(292,239)
Autos and trucks	(78,699)	(26,858)	15,406	(90,151)
Total accumulated depreciation	(900,840)	(57,075)	15,406	(942,509)
Governmental activities capital assets, net	<u>\$ 458,916</u>	<u>\$ (15,095)</u>	<u>\$ -</u>	<u>\$ 443,821</u>
Business-type activities				
Capital assets being depreciated				
Sewer system	\$ 717,050	\$ 124,498	\$ -	\$ 841,548
Water system	1,638,735	183,868	-	1,822,603
Other machinery and equipment	31,617	-	-	31,617
Autos and trucks	23,010	-	-	23,010
Total capital assets being depreciated	2,410,412	308,366	-	2,718,778
Less accumulated depreciation for:				
Sewer system	(455,347)	(18,380)	-	(473,727)
Water system	(597,853)	(44,273)	-	(642,126)
Other machinery and equipment	(15,633)	(1,069)	-	(16,702)
Autos and trucks	(11,895)	(2,876)	-	(14,771)
Total accumulated depreciation	(1,080,728)	(66,598)	-	(1,147,326)
Total capital assets being depreciated, net	1,329,684	241,768	-	1,571,452
Business-type activity capital assets, net	<u>\$ 1,329,684</u>	<u>\$ 241,768</u>	<u>\$ -</u>	<u>\$ 1,571,452</u>

Depreciation expense was charged to functions/programs of the Town as follows:

	Depreciation Expense
Governmental activities:	
Municipal building	\$ 13,468
Economic development	31
Administration	1,809
Non-departmental	460
Police department	33,550
Post office	1,320
Fire department	535
Library and community center	427
Homeland security	5,475
Total depreciation expense - governmental activities	<u>\$ 57,075</u>
Business-type activities:	
Sewer	\$ 19,809
Water	46,789
Total depreciation expense - business-type activities	<u>\$ 66,598</u>

NOTE 5—OBLIGATIONS PAYABLE

A summary of obligations payable and the current year's activity follows:

	Balance June 30, 2011	New Debt	Retirements	Balance June 30, 2012	Due Within One Year
Governmental activities					
Post employment benefits	\$ 26,010	\$ 1,027	\$ -	\$ 27,037	\$ -
Vehicle leases	26,882	29,500	(14,116)	42,266	26,044
Equipment lease	6,757	-	(2,289)	4,468	2,575
Total governmental activities	59,649	30,527	(16,405)	73,771	28,619
Business-type activities					
Water Revenue Bonds, Series 1995	77,000	-	(15,000)	62,000	15,000
Total obligations	<u>\$ 136,649</u>	<u>\$ 30,527</u>	<u>\$ (31,405)</u>	<u>\$ 135,771</u>	<u>\$ 43,619</u>

Post Employment Benefits — Post employment benefits are available for certain appointed officials who leave employment voluntarily and are in good standing at the time of departure. The employee will receive a sum equivalent to wages and the cash value of benefits as follows: for each year of employment, one week of current salary and cash value of benefits, up to a maximum of ten weeks for ten years of employment. For involuntary termination the benefits may accumulate up to a maximum of twenty-six weeks. These involuntary termination amounts have not been accrued in these financial statements.

Compensated Absences—The Town accrues a liability for unused vacation time that is paid out to employees. Employees earn paid vacation time of 80-288 hours per year, depending on length of employment.

Revenue Bonds — During August 1995, the Town sold water revenue bonds for the construction of drinking water improvements. Water revenue bonds are recorded in the Water Enterprise Fund and require principal payments of \$11,000 to \$16,000 to be made annually each March until March 1, 2016, from revenues generated from the Water operations. Interest is charged at a rate of 3%.

The combined aggregate amount of maturities for long-term borrowings for the remaining debt term is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 15,000	\$ 1,860	\$ 16,860
2014	15,000	1,410	16,410
2015	16,000	960	16,960
2016	16,000	480	16,480
	<u>\$ 62,000</u>	<u>\$ 4,710</u>	<u>\$ 66,710</u>

Capital Leases — During the year ended June 30, 2012, the Town entered into a capital lease agreement for a vehicle. As of June 30, 2012, the Town has two vehicle leases and third lease for computer server equipment. As of June 30, 2012, the equipment under capital leases had a cost basis of \$66,863 and accumulated depreciation of \$19,950. The following is a summary of the future minimum lease payments under capital lease obligations:

Year Ending June 30,	
2013 lease payments due	\$ 29,711
2014 lease payments due	17,427
2015 lease payments due	<u>1,107</u>
Subtotal	48,245
Less amount representing interest	<u>(1,511)</u>
Present value of net minimum payments	46,734
Less current portion	<u>(28,619)</u>
Long-term portion	<u>\$ 18,115</u>

NOTE 6—CONTINGENCIES

The Town is involved in lawsuits and legal matters arising in the ordinary course of business. The matters are being handled by insurance and by the Town's legal counsel. Liability, if any, on the part of the Town cannot be estimated.

NOTE 7—PENSION PLAN

Plan Description—Beginning in January 2008, the Town contributes to the Local Government Noncontributory Retirement System (the Noncontributory System), a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy—The Town is required to contribute a percent of covered salaries to the Noncontributory System. The contribution rate is actuarially determined and was 13.37% for the years ended June 30, 2012 and 2011 and 11.66% for the year ended June 30, 2010. The contribution requirements of the Systems are authorized by statute and specified by the Board.

For the years ended June 30, 2012, 2011, and 2010 the Town made contributions of \$57,905, \$55,574, and \$50,134, respectively. The contributions were equal to the required contributions for each year.

The Town also sponsors a defined contribution retirement plan under Internal Revenue Code 401(k) (the Plan) that is administered by the Systems. The Plan covers Town employees who have opted out of the Noncontributory Systems and certain other employees. During the years ended June 30, 2012, 2011, and 2010, the Town made contributions of \$13,926, \$13,583, and \$12,441, respectively. The Town's contribution rate was 13.37% for the fiscal years ended June 30, 2012 and 2011 and 11.66% for the fiscal year ended June 30, 2010.

NOTE 8—RELATED PARTY TRANSACTIONS

As further described in Note 6, the Town is involved in legal matters arising in the ordinary course of business. These matters are being handled by legal counsel. During the year ended June 30, 2012, the Town incurred expenses of \$165,368 paid/payable to a related party for legal services, including \$84,200 that was included in accounts payable as of June 30, 2012. The related party is a law firm, and the attorney representing the Town is also a member of the Town Council.

During the year ended June 30, 2012, the Town made improvements to its sewer lines and systems. Included in the balance of the improvements were \$36,274 paid to a company that employs two of the Town's Council members (including one member that departed from the Council in December 2011). That company was also paid additional amounts subsequent to year end, as described below.

NOTE 9—SUBSEQUENT EVENTS

In July 2012, the Town paid \$36,700 to a related party for improvements to water lines.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF ALTA
BUDGETARY COMPARISON
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,247,887	\$ 1,207,049	\$ 1,222,029	\$ 14,980
Licenses and permits	24,300	42,101	42,875	774
Intergovernmental	62,907	131,597	120,948	(10,649)
Charges for services	6,980	15,164	21,647	6,483
Fines and forfeitures	13,000	12,250	12,155	(95)
Miscellaneous	89,407	156,967	114,046	(42,921)
Total Revenues	<u>1,444,481</u>	<u>1,565,128</u>	<u>1,533,700</u>	<u>(31,428)</u>
Expenditures				
Legislative	21,656	21,656	19,357	2,299
Municipal building	8,350	8,350	7,376	974
Economic development	86,200	100,000	99,619	381
Judicial court	17,986	17,986	17,917	69
Administration	357,597	360,000	346,294	13,706
Non-departmental	35,500	35,500	33,599	1,901
Planning and zoning	123,250	180,000	202,815	(22,815)
Police department	640,666	625,000	642,383	(17,383)
Post office	25,510	25,510	24,111	1,399
Fire department	100,446	100,446	97,553	2,893
Building inspection	30,500	25,000	20,958	4,042
Streets	22,000	35,000	26,646	8,354
Recycling	8,300	10,000	12,095	(2,095)
Geographic information systems	4,000	4,050	4,008	42
Parks	16,400	16,400	15,872	528
Community development	10,000	14,684	17,279	(2,595)
Library and community center	8,640	7,000	5,872	1,128
Total Expenditures	<u>1,517,001</u>	<u>1,586,582</u>	<u>1,593,754</u>	<u>(7,172)</u>
Revenues Over (Under) Expenditures	<u>(72,520)</u>	<u>(21,454)</u>	<u>(60,054)</u>	<u>(38,600)</u>
Other Financing Sources				
Proceeds from vehicle loan	-	-	29,500	29,500
Proceeds from sale of capital assets	-	-	12,750	12,750
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>42,250</u>	<u>42,250</u>
Net Change in Fund Balance	<u>(72,520)</u>	<u>(21,454)</u>	<u>(17,804)</u>	<u>3,650</u>
Fund Balance - Beginning of Year	<u>964,069</u>	<u>964,069</u>	<u>964,069</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 891,549</u>	<u>\$ 942,615</u>	<u>\$ 946,265</u>	<u>\$ 3,650</u>

SUPPLEMENTARY INFORMATION

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Revenues

Taxes

Property	\$ 282,914
General and sales	894,101
Energy sales and use tax	41,166
Telephone use tax	3,848
	<u>\$ 1,222,029</u>

Licenses and Permits

Business licenses and permits	\$ 9,398
Liquor licenses	3,500
Building permits	23,188
Animal licenses	6,789
	<u>\$ 42,875</u>

Intergovernmental

Community development - SL County	\$ 31,185
Alta Central grants	26,814
State Grants	26,817
Class "C" road funds	13,444
State liquor funds	4,787
Wasatch National Forest	3,901
Post office contract	14,000
	<u>\$ 120,948</u>

Charges for Services

Plan check fees	\$ 12,738
Community center use fees	1,650
Impact fees	7,259
	<u>\$ 21,647</u>

Fines and Forfeitures

Court fines	<u>\$ 12,155</u>
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Miscellaneous

Interest earnings	\$ 2,173
Sundry revenues	7,917
Donations	103,956
	<u>\$ 114,046</u>

Other Financing Sources

Proceeds from vehicle loan	\$ 29,500
Proceeds from sale of capital assets	12,750
	<u>\$ 42,250</u>

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Expenditures

Legislative

Personnel services	\$ 19,017
Materials, supplies, services	340
	<u>\$ 19,357</u>

Municipal Building

Personnel services	\$ 312
Materials, supplies, services	7,064
	<u>\$ 7,376</u>

Economic Development

Personnel services	\$ 748
Materials, supplies, services	98,871
	<u>\$ 99,619</u>

Judicial Court

Personnel services	\$ 6,171
Materials, supplies, services	11,746
	<u>\$ 17,917</u>

Administration

Personnel services	\$ 293,397
Materials, supplies, services	52,897
	<u>\$ 346,294</u>

Non-Departmental

Materials, supplies, services	<u>\$ 33,599</u>
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Planning and Zoning

Personnel services	\$ 2,650
Materials, supplies, services	200,165
	<u>\$ 202,815</u>

Police Department

Personnel services	\$ 498,617
Materials, supplies, services	101,786
Capital outlay	41,980
	<u>\$ 642,383</u>

**TOWN OF ALTA
SUPPLEMENTAL SCHEDULE TO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Post Office

Personnel services	\$ 17,439
Materials, supplies, services	6,672
	<u>\$ 24,111</u>

Fire Department

Materials, supplies, services	<u>\$ 97,553</u>
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Building Inspection

Materials, supplies, services	<u>\$ 20,958</u>
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Streets

Materials, supplies, services	<u>\$ 26,646</u>
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Recycling

Materials, supplies, services	<u>\$ 12,095</u>
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Geographic information systems

Materials, supplies, services	<u>\$ 4,008</u>
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Parks

Personnel services	\$ 10,789
Materials, supplies, services	5,083
	<u>\$ 15,872</u>

Community Development

Materials, supplies, services	<u>\$ 17,279</u>
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Library and Community Center

Materials, supplies, services	<u>\$ 5,872</u>
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE IN ACCORDANCE
WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

The Honorable Mayor
and Town Council
Town of Alta, Utah

We have audited the Town of Alta's compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the Town of Alta are identified as follows:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees and Other Development Fees
- Utah Retirement System
- Fund Balance

The Town did not receive any major State grants during the year ended June 30, 2012.

Compliance with the requirements referred to above is the responsibility of the Town of Alta's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Alta's compliance with those requirements.

Our audit disclosed instances of material noncompliance with general budgetary compliance requirements applicable to the Town of Alta for the year ended June 30, 2012, as described in the attached schedule of findings.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town of Alta complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2012.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town of Alta, management of the Town of Alta, the Office of the Utah State Auditor, awarding and pass-through entities, and other specified parties, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Hansen, Barnett & Maxwell, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
December 17, 2012

**TOWN OF ALTA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

MATERIAL FINDING:

Budgetary Compliance:

Compliance Requirement—Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund.

Finding—Expenditures in the following departments exceeded budgeted balances: planning and zoning, police department, recycling, and community development. The total budgetary overages in those departments combined was \$44,888. However, other departments experienced favorable budgetary variances such that the total operating expenditure budget was exceeded by \$7,172.

Management Response— The Town exceeded expenditures in four (4) departments, two of which warrant further discussion. The majority of the increase in expenditures in the planning and zoning department were due to legal fees associated with an ongoing lawsuit and the increase in the police department expenditures was due to the funding of a new vehicle lease. Even though the Town exceeded budgeted balances in four (4) departments, in total the Town spent less of the fund balance (\$17,804) than it had budgeted (\$21,454). The Town of Alta will attempt to amend its fiscal budget to take into consideration any possible expenditure that could take place in late June.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor
and Town Council
Town of Alta, Utah

We have audited the financial statements of the Town of Alta as of and for the year ended June 30, 2012, and have issued our report thereon, dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Alta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Alta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Alta's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 12-1 and 12-2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Alta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* except as follows:

We noted certain matters that have been reported in the schedule of findings on pages 42 and 45.

The Town of Alta's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Alta's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Barnett & Maxwell, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
December 17, 2012

**TOWN OF ALTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- 12-1 *Statement of Condition:* Management is responsible for the fair presentation of the financial statements in accordance with generally accepted accounting principles. As part of the financial audit, several audit entries were made, which indicate that management did not prepare the accounting records for the financial statements in accordance with generally accepted accounting principles. Although we noted that management had taken steps to improve the year-end account closing process, appropriate adjustments for capital asset transactions, long-term debt payments, and accounts payable should be made each year prior to the audit.

Cause: Management and staff directly involved in financial reporting do not possess expertise in preparing financial statements in accordance with generally accepted accounting principles.

Recommendation: Internal controls should exist to ensure that management and staff charged with preparing accounting records for the financial statements are able to obtain the necessary expertise to prepare the accounting records for the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan: Management and staff charged with preparing accounting records for the financial statement will improve the year-end account closing process by making the appropriate adjustments for capital asset transactions, long term debt payments, and accounts payable.

Contact: Kate Black (801) 363-5105

- 12-2 *Statement of Condition:* Although the Town of Alta operates with a limited number of administrative and accounting staff, adequate segregation of duties is necessary as an internal control to prevent and detect fraud. Currently, the Town's accounting duties are not adequately segregated in that the person who authorizes expenditures and signs checks also records journal entries and reconciles bank accounts. In addition, the same person who receives payments and prepares the bank deposits has access to post transactions to the accounts receivable ledgers for the sewer and water funds.

Cause: The Town of Alta has limited financial resources and, therefore, has a very small number of administrative and accounting staff.

Recommendation: Mitigating controls should be implemented to ensure oversight of transaction classes for which adequate segregation of duties is not feasible given the limited number of staff. For example, the Town treasurer should review the cash receipts and cash disbursements journal along with the bank reconciliations on a monthly basis.

Corrective Action Plan: The Mayor of the Town of Alta will review the cash receipts and cash disbursements journals along with the bank reconciliations on a monthly basis.

Contact: Kate Black (801) 363-5105